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Your Health. Take Charge.

Why Change?

These changes are part of other organizational changes the Labs will make over the next few years, with the goal of keeping Sandia viable in today's challenging economic environment and empowering employees to take more control over their healthcare choices and healthcare spending.

The new healthcare plan choice — called Sandia Total Health — is a Consumer-Directed Health Plan (CDHP). It's a key component of our heathcare strategy to manage healthcare costs by encouraging healthcare consumerism and improving overall health through an integrated approach to health and wellness. This includes a focus on prevention and healthy lifestyles, the management of chronic conditions, and behavior modification aimed at changing risk factors. If this strategy is successful, Sandia will be able to more effectively manage increasing healthcare costs and improve the overall health of employees. And this strategy will help us continue to make progress in bringing the value of our overall benefits more in line with the value of benefits being offered by an industry comparator group of similar research organizations and a select group of large industrial companies.

Welcome to the first of two *Your Health. Take Charge*.

newsletters, designed to give you more information on Sandia's new healthcare plan — Sandia Total Health. In these newsletters you'll also find tips on how to become a better healthcare consumer and information on the <u>tools and resources</u> that will become available to you over the next couple of months.

You'll receive the second issue of Your Health. Take Charge. next month before Open Enrollment.

Your Health. Take Charge.

Sandia is introducing a new healthcare plan choice for 2010 — Sandia Total Health with a Health Reimbursement Account. This issue of *Your Health. Take Charge.* provides more information about the new plan and how it can benefit you.

We're focusing on Sandia Total Health not only because it's a new plan choice for 2010, but also because it will be Sandia's only healthcare plan in 2011. When this change occurs in 2011, our goal is to offer Sandia Total Health through many of our current physician/facility networks, such as Presbyterian and Lovelace in New Mexico, Kaiser in California, and other well-regarded networks in California and other areas.

Because Sandia Total Health will eventually be your only Sandiasponsored medical plan, it's important that you learn what it is and how it works, so you can get the most out of the benefits it offers.



Sandia Total Health

Sandia Total Health will replace the current UnitedHealthcare (UHC) Standard Plan in 2010. This new option offers flexibility and choice — features Sandia knows are important to you. Plus, you will have increased control over how your healthcare dollars are spent and you will pay lower contributions out of your paycheck than with the other 2010 Sandia medical plan options.

How Sandia Total Health Works

Sandia Total Health will use UHC's network of doctors and hospitals (which is primarily the Presbyterian network) in 2010. The plan has two components — comprehensive healthcare coverage and a Health Reimbursement Account. This is how they work:

HEALTHCARE COVERAGE

- In-network preventive care covered at 100%
- Comprehensive medical and prescription drug coverage
- Flexibility of in- and out-of-network coverage, with higher benefits innetwork
- Annual deductible and coinsurance provisions
- Out-of-pocket maximum amount you pay, to protect you from the expense of possible catastrophic illness or injury

HEALTH REIMBURSEMENT ACCOUNT

- Sandia contributes money on your behalf to your Health Reimbursement Account if you complete a Health Assessment and biometric screenings
- You can use that contribution to pay for your deductible and other outof-pocket expenses
- Any unused amounts in your HRA at the end of the plan year will be rolled over for use the next year

How the New Plan Will Benefit You

Sandia Total Health gives you greater control over how you spend your healthcare dollars. With the HRA, you choose when to use your account to pay for eligible healthcare expenses. This encourages you to become more aware of your healthcare costs and to make active decisions on your healthcare spending. The HRA can also help you track your healthcare spending, making it convenient for you to access a record of your healthcare costs all in one place. Since Sandia Total Health gives you the purchasing power when it comes to your healthcare spending, it will be important for all Sandians to become smarter "consumers" of healthcare services.

In addition, Sandia Total Health encourages you to be proactive with your health, as in-network preventive care is covered at 100% with no annual dollar limit. This is a great incentive to start leading a healthy life or get even healthier than you are now.



Easy Steps to Understanding Sandia Total Health The following illustration shows how the various components of Sandia

The following illustration shows how the various components of Sandia Total Health work together to form the structure of the program. Here's a look at each level of the house. **Start at the bottom of the page and work your way up!**

Roof: Out-of-Pocket Maximum. This is the maximum amount you'll pay out of your pocket for medical care during a plan year. Once you reach this maximum, your remaining eligible expenses for the year are covered at 100%. The out-of-pocket maximum protects you from unusually high medical expenses you may have because of a catastrophic injury or illness. The out-of-pocket maximum is based on the coverage tier you elect. There is a separate out-of-pocket maximum of \$1,500 per person for prescription drugs purchased in-network.

In-Network Out-of-Pocket Maximum			
Employee	Employee + Spouse or Child(ren)	Employee + Spouse and Child(ren)	
\$2,750/year	\$5,500/year	\$8,250/year	

Second Floor: Medical Plan Coinsurance. Once you meet your deductible, Sandia Total Health pays 80% of your covered medical care costs and you pay 20% in-network. This shared cost is called coinsurance.

First Floor: Employee Responsibility (Annual Deductible). When you have a medical expense, you must first satisfy the deductible before you and Sandia start sharing the cost of covered medical services. Your annual deductible amount will be based on the coverage tier you elect. However, once one person in your family hits the \$750 deductible for his or her own expenses, coinsurance **for that person** begins immediately, even if your family hasn't hit the total family deductible.

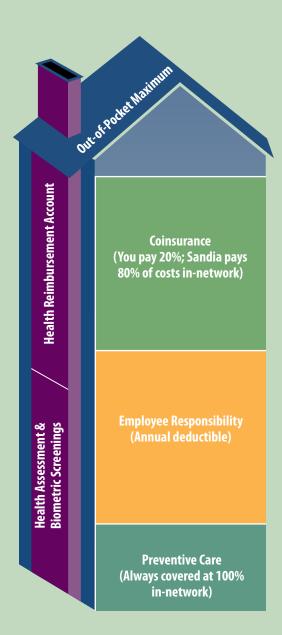
Using your Health Reimbursement Account (HRA) toward your annual deductible: Your HRA can be used to help pay your deductible and other covered expenses. If you use up all of your HRA, you're responsible for paying your medical expenses until you satisfy any remaining portion of your deductible.

In-Network Deductible			
Employee	Employee + Spouse or Child(ren)	Employee + Spouse and Child(ren)	
\$750/year	\$1,500/year	\$2,250/year	

Pillar: Health Reimbursement Account (HRA). Sandia contributes money to your HRA each year if you complete a Health Assessment and biometric screenings. The contribution amounts are \$250, \$500, or \$750 per year, depending on your coverage tier.* Your account is a tax-free way for you to pay for certain medical and pharmacy expenses.

HRA Contribution			
Employee	Employee + Spouse or Child(ren)	Employee + Spouse and Child(ren)	
\$250/year	\$500/year	\$750/year	

physical exams and certain cancer screenings. Preventive care is covered at 100%, with no deductible to meet, as long as you visit in-network providers. Prevention is important because it helps with early detection of health conditions and may help you better manage health risks. Preventive care is key to maintaining physical and mental wellness. Please note that you do not have to get preventive care to use the other benefits provided by the plan or to get your Sandia HRA contribution.



* HRA contribution amounts shown apply to the employee portion of the contribution only. Sandia will make a contribution to your HRA for your enrolled dependents even if you do not complete the Health Assessment and biometric screenings. However, the contribution will be smaller. We encourage you to meet the requirements, so you receive the full contribution from Sandia.

How the Health Reimbursement Account Works

When you enroll in Sandia Total Health and complete a Health Assessment and biometric health screenings, Sandia will establish a Health Reimbursement Account (HRA) with UnitedHealthcare (UHC) to help you pay your annual deductible and your share of eligible healthcare expenses. Here are the basics you need to know:

- To receive the Sandia HRA contribution, you must:
 - 1. Enroll in Sandia Total Health,
 - 2. Take a confidential Health Assessment (a questionnaire about your health), and
 - 3. Complete your biometric screenings (such as blood pressure and cholesterol testing).
- Once you meet the requirements listed above, UHC will set up your personal HRA.
- Once your HRA is set up, here's how it works:
 - When you or your dependent seeks eligible medical services and presents a UHC identification card, the provider will file a medical claim through the UHC system.
 - If the service requires the deductible or coinsurance (not applicable for preventive care, which is covered at 100% in-network), UHC will look to see if you have funds in your HRA. If you do, UHC will pull your share of the cost of the service from your HRA and pay the provider directly.
 - Once your UHC claim is processed, all claim and HRA activity will be documented and sent to you on your UHC Health Statement. You should review this statement for accuracy and contact UHC if you think there are errors.
- A debit card will also be issued for you to use for eligible prescription drug expenses when your coinsurance is due. You may still submit a claim manually if you wish.



Health Reimbursement Account (HRA) vs. Healthcare Flexible Spending Account (FSA)

Sandia will continue to offer a Healthcare FSA in addition to the HRA and both accounts will be administered by UnitedHealthcare.* Here are some key differences:

	FSA	HRA	
Eligibility	To participate, estimate how much you want to contribute to your FSA for the calendar year and enroll during Open Enrollment. You can set aside up to \$5,000 per year.	To participate, you must enroll in Sandia Total Health and complete the Health Assessment and your health screenings.	
Funding	You fund your FSA each paycheck, with pre-tax dollars.	You earn Sandia's HRA contribution annually by meeting the criteria listed above. UHC establishes the account based on the coverage tier you elect.	
Eligible Expenses	You can set aside pre-tax dollars to pay for eligible healthcare expenses not covered by the HRA (if you're enrolled in Sandia Total Health), like dental, vision and over-the-counter drugs.	You can use the HRA to pay your share of eligible Sandia Total Health medical and prescription drug expenses such as the deductible and coinsurance.	
Unused Account Balances	You must use your entire FSA account balance during the year. Money left in the account does not roll over at the end of the plan year; you will lose this money.	Balances left in your HRA at the end of the plan year will roll over to your HRA the next year (up to a maximum of 5 times Sandia's annual contribution amount).	

^{*} Day Care Flexible Spending Accounts will continue to be available and managed by PayFlex.

Sandia Total Health Benefits at-a-Glance

Here's a look at the 2010 benefits available under Sandia Total Health.

2010 Plan Feature	New Sandia Total Health		
	In-Network	Out-of-Network	
Annual Deductible¹ Employee-Only Employee + Spouse or Child(ren) Employee + Spouse and Child(ren) Note: In- and out-of-network deductibles do not cross-apply. Annual Health Reimbursement Account Contribution from Sandia (if you complete a Health Assessment and screenings) Employee-Only Employee + Spouse or Child(ren) Employee + Spouse and Child(ren) Note: If you don't take a Health Assessment and complete your screenings, you will receive \$250 less than if you do take a	\$750 Up to \$1,500 (max. of \$750 per person) Up to \$2,250 (max. of \$750 per person) Up to \$2,250 (max. of \$750 per person) \$250 Sandia contribution \$500 Sandia contribution \$750 Sandia contribution		
Health Assessment and complete your screenings. For employee-only coverage, this means you will receive \$0. Preventive Care ²	100% covered	60% covered	
Coinsurance ¹ (% of the cost of services you pay)	You pay 20%	You pay 40%	
Office Visits	You pay 20%	You pay 40%	
Prescription Drugs ² (maximum 30-day supply for retail and 90-day supply for mail-order) Generic Brand-Name Preferred Brand-Name Non-Preferred	You pay 20% You pay 30% You pay 40% Note: There is an annual out-of-pocket maximum of \$1,500 per person for prescription drugs.	You pay 50% You pay 50% You pay 50% You pay 50% Note: There is no out-of-pocket maximum for out-of-network prescription drugs.	
Annual Calendar-Year Out-of-Pocket Maximum (maximum amount you pay each year) Employee-Only Employee + Spouse or Child(ren) Employee + Spouse and Child(ren)	\$2,750 (includes deductible) \$5,500 (includes deductible; max. of \$2,750 per person) \$8,250 (includes deductible; max. of \$2,750 per person)	\$6,000 (includes deductible) \$12,000 (includes deductible; max. of \$6,000 per person) \$18,000 (includes deductible; max. of \$6,000 per person)	
Note: In- and out-of-network out-of-pocket maximums do not cross-apply.	(excludes prescription drug costs)	(excludes prescription drug costs)	

¹ If one person in your family meets the \$750 per person deductible, coinsurance will start for that person only.
² Not subject to the annual deductible.

Paying for Healthcare

Remember that you pay for healthcare in two ways — first, you have pre-tax payroll deductions (your annual premium) that allow you to be covered by the plan of your choice; second, you pay a portion of your medical services (your deductible and coinsurance).

The following examples show what a year of healthcare might cost for Jane and Carl: two employees with different coverage levels who are low users of healthcare. And in next month's newsletter, we'll take a look at what healthcare might cost Jane and Carl if they experience a year with major healthcare expenses.

Example: Jane, who has a low healthcare expense year

Jane is a single employee with no dependents, and she's in good health. Jane completed a Health Assessment and biometric screenings this year, so Sandia added \$250 to her Health Reimbursement Account. Here's what her annual medical expenses would be under Sandia Total Health compared to the current UHC Premier Plan.



The amount Jane would pay is in **bold**.

Jane: Employee-Only Coverage Low Healthcare Expenses			
	Actual Cost of Service	Sandia Total Health: Jane's Cost	Current UHC Premier Plan: Jane's Cost
Annual Physical	\$210	\$0	\$0
In-Network PCP Office Visit (2 visits)	\$160	\$160	\$40
Generic Prescription (2 retail fills)	\$70	\$14	\$14
Brand Prescription (1 retail fill)	\$60	\$18	\$25
Jane's Total Out-of-Pocket Costs Before Health Reimbursement Account	N/A	\$192	\$79
Amount Paid From Health Reimbursement Account	N/A	\$192	\$0
Total Out-of-Pocket Costs After Health Reimbursement Account	N/A	\$0	\$79
Annual Premium	N/A	\$984	\$1,092
Total Employee Costs (out-of-pocket expenses + annual premium)	N/A	\$984	\$1,171
Health Reimbursement Account Rollover to Next Year	N/A	\$58 (\$250 Sandia contribution for taking Health Assessment and completing her screenings minus \$192 allocation for out-of-pocket costs)	N/A



The amount Carl would pay is in **bold**.

Carl: Employee + Spouse and Child(ren) Coverage Low Healthcare Expenses			
	Actual Cost of Service	Sandia Total Health: Carl's Cost	Current UHC Premier Plan: Carl's Cost
Employee Annual physical	\$210	\$0	\$0
Spouse Annual physical	\$210	\$0	\$0
In-Network PCP Office Visit (3 visits)	\$240	\$240	\$60
Generic Prescription (5 retail fills)	\$175	\$35	\$35
Carl's Total Out-of-Pocket Costs Before Health Reimbursement Account	N/A	\$275	\$95
Amount Paid From Health Reimbursement Account	N/A	\$275	\$0
Total Out-of-Pocket Costs After Health Reimbursement Account	N/A	\$0	\$95
Annual Premium	N/A	\$2,856	\$3,168
Total Employee Costs (out-of-pocket expenses + annual premium)	N/A	\$2,856	\$3,263
Health Reimbursement Account Rollover to Next Year	N/A	\$475 (\$750 Sandia contribution for taking Health Assessment and completing his screenings minus \$275 allocation for out-of-pocket costs)	N/A

More Information to Come

Over the next couple of months leading up to Open Enrollment this fall, we'll provide more information and tools to help you understand Sandia Total Health and how to become a smarter healthcare consumer. Our goal is to help you use the new plan wisely if you enroll in it for 2010, and to help you be prepared for the plan in 2011 (when it will be the only plan option).

You'll have the following opportunities to learn about the healthcare changes before Open Enrollment, which is being held this year from October 19 through November 4:

- Later this month, you'll have access to an online interactive presentation about the healthcare changes.
- Next month you will receive a second *Your Health. Take Charge*. educational newsletter with more information on the new plan.
- In October, you'll have access to a medical plan cost calculator so you can compare your total cost for each of the healthcare plan choices.
- In October, your Open Enrollment information will be provided.
- Employee benefit fairs and benefit meetings will be scheduled during the Open Enrollment campaign.
- Periodically visit the new Take Charge health benefits page on the HBE site at http://hbe.sandia.gov for continually updated information and links to helpful tools.
- You can also visit the Change@Sandia website at http://info.sandia.gov/Change_Sandia/index.html.

If you have questions now, contact Sandia's Health Benefits & Employee Services Customer Service Department at (505) 844-HBES(4237) or submit your questions to the HBE site at http://hbe.sandia.gov.

Sandia Corporation's benefit plans are maintained at the discretion of Sandia. They do not create a contract of employment. The plans may be suspended, modified, or discontinued at any time and without prior notice, subject to applicable collective bargaining agreements and except as otherwise provided by applicable law.

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